

CITY OF MEDINA
Business Subsidy Policy

1. PURPOSE

- 1.01 The purpose of this policy is to establish the city of Medina's ("City") position as it relates to the use of tax increment financing, tax abatement and other business subsidy programs for private development. This policy shall be used as a guide in processing and reviewing applications requesting a business subsidy.
- 1.02 The City shall have the option of amending or waiving sections of this policy when determined necessary or appropriate. *Minnesota Statutes 116J.994, Subd. 2* allows the City to deviate from its criteria by documenting in writing the reason for the deviation and attaching a copy of the document to its next annual report to the Minnesota Department of Employment and Economic Development.

2. STATUTORY LIMITATIONS

- 2.01 In accordance with Medina's business subsidy policy, assistance requests must comply with applicable state statutes.

3. ELIGIBLE USES FOR THE RECEIPT OF BUSINESS SUBSIDY

- 3.01 As a matter of adopted policy, Medina will consider using a business subsidy tool to assist private development only in those circumstances in which the proposed private project meets one or more of the following uses:
- A. To redevelop blighted or under-utilized areas of the community.
 - B. To remove blight and encourage redevelopment in the commercial and industrial areas of the City in order to encourage high levels of property maintenance and private reinvestment in those areas.
 - C. To increase the tax base of the City in order to ensure the long-term ability of the City to provide adequate services for its residents while lessening the reliance on residential property tax.
 - D. To retain local jobs, increase the local job base, and provide diversity in that job base.
 - E. To increase the local business and industrial market potential of Medina.
 - F. To encourage additional unsubsidized private development in the area, either directly or through secondary "spinoff" development.
 - G. To offset increased costs of redevelopment, over and above those costs that a developer would incur in normal development.

- H. To accelerate the development process and to achieve development on sites which would not be developed without this assistance.

4. BUSINESS SUBSIDY PROJECT APPROVAL CRITERIA

- 4.01 All new projects approved by Medina should meet the following mandatory minimum approval criteria. However, it should not be presumed that a project meeting these criteria will automatically be approved. Meeting these criteria creates no contractual rights on the part of any potential developer.
 - A. The assistance shall be provided within applicable state legislative restrictions, Minnesota State Auditor interpretations, debt limit guidelines, and other appropriate financial requirements and policies.
 - B. The project should meet one or more of the uses identified in Section 3, Eligible Uses for the Receipt of Business Subsidy.
 - C. The project must be consistent with the City's comprehensive plan and zoning ordinances, or required changes to the comprehensive plan and zoning ordinances must be under active consideration by the City at the time of approval.
 - D. Assistance will not be provided to projects that have the financial feasibility to proceed without the benefit of the assistance. Assistance will not be provided solely to increase a developer's profit margin on a project. Prior to consideration of a business subsidy request, the City may undertake an independent evaluation of the project to ensure that the request for assistance can be substantiated.
 - E. Prior to approval of a business subsidy, the developer shall provide any required market and financial feasibility studies, appraisals, soil boring information provided to private lenders for the project, and other information or data that the City or its financial consultants may require in order to proceed with an independent evaluation.
 - F. Any developer requesting business assistance should be able to demonstrate past successful general development capability as well as specific capability in the type and size of development proposed.
 - G. The developer must retain ownership of the project at least long enough to complete it, stabilize its occupancy, establish the project management, and initiate repayment of the business assistance, if required.
 - H. The level of business subsidy funding should be reduced to the lowest possible level and least amount of time by first maximizing the use of private debt and equity financing and using other funding sources or income producing vehicles that can be structured into the project financing prior to using additional business assistance funding.

5. BUSINESS SUBSIDY PROJECT EVALUATION CRITERIA

- 5.01 All projects will be evaluated by the Medina city council on the following criteria for comparison with other proposed business assistance projects reviewed by the City and for comparison with other subsidy standards where appropriate. It is realized that changes in local markets, costs of construction, and interest rates may cause changes in the amounts of business subsidies that a given project may require at any given time.
- 5.02 Some criteria, by their very nature, must remain subjective. However, wherever possible benchmark criteria have been established for review purposes. The fact that a given proposal meets one or more such benchmarks does not mean that it is entitled to funding under this policy. Instead, the City will proceed with its evaluation of (and comparison between) various business assistance proposals, using uniform standards whenever possible.
- 5.03 Following are the evaluation criteria that will be used by Medina:
- A. The proposal should optimize the private development potential of a site.
 - B. The proposal should create the highest feasible number of living wage jobs on the site. All proposals must meet the business subsidy criteria established by the City.
 - C. Business assistance will not generally be provided when the relocating or new business requesting assistance would be in competition with an established business in the community.
 - D. The proposal should create the highest possible ratio of property taxes paid before and after redevelopment. Given the different assessment circumstances in the City, this ratio will vary widely.
 - E. Proposals will usually not be used to support speculative industrial, commercial, or office projects.
 - F. Assistance will usually not be used in a project that involves an excessive land and/or property price.
 - G. The project will need to meet the "but for" test if tax increment financing is used. Assistance will not be used unless the need for the City's economic participation is sufficient that, without that assistance, the project could not proceed in the manner as proposed.
 - H. Business assistance will not be used when the developer's credentials, in the sole judgment of the City, are inadequate due to failure to complete previous projects, general business and/or bankruptcy by the developer, or other problems or issues considered relevant by the City.

- I. Business assistance will not usually be used for projects that would generate significant environmental problems in the opinion of the local, state, or federal governments.
- J. Business assistance funding should not be provided to those projects that fail to meet good public policy criteria as determined by the city council, including poor project quality; projects that are not consistent with the City's comprehensive plan, zoning ordinance, redevelopment plans, and city policies; projects that provide no significant improvement to surrounding land uses, the neighborhood, and/or the City; projects that do not have significant new, or retained, employment; projects that do not meet financial feasibility criteria established by the City; and projects that do not provide the highest and best desired use for the property.
- K. Except in those instances in which the creation or retention of jobs is determined not to be a goal, projects receiving a business subsidy must create or retain at least one full-time equivalent living wage job for each \$100,000 in assistance. A living wage job is one which pays at least 110 percent of the federal poverty level for a family of four.

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